CHAPTER I
INTRODUCTION
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Poverty Alleviation remains a major challenge of the third world countries and the nation. While there has been a steady decline in poverty over the last two decades, the total number of poor people has perhaps remained constant because of growth in population. Better utilization of human resources through employment intensive schemes will facilitate poverty reduction and acceleration of economic growth in the long run. However, this strategy needs to be complemented with a focus on provision of basic services for improving the quality of life of the people through State intervention in the form of targeted anti poverty programmes. A number of anti poverty programmes are specifically designed for the generation of both self employment and wage employment in rural and urban areas.

The Prime Minister’s Rozgar Yojana is a new scheme formulated by the Government of India for the educated unemployed youth which was launched on October 2, 1993. The objective presupposes the standard of living of the beneficiaries. The action taken will be successful only if the benefits of development reaches the lowest strata of the community. The Government has
recognized the fact that much emphasis is given on grass root level planning or micro level planning where the focus is a rural development.

The PMRY Scheme had a target of setting of 7,00,000 micro enterprises to accelerate employment opportunities for 1.4 million educated unemployed youth on an average of two persons per enterprises.

Under the Scheme a composite loan will be provided to the beneficiaries without collateral security for setting up self employed micro units. The loan amount is Rs. one Lac for business activities and Rs. 2 Lacs for service and industrial activities. The commercial banks functioning in the country are required to finance the scheme. All educated unemployed youth within the age group of 18 and 45 are eligible to apply for financial assistance under the Scheme for setting up micro enterprises. The minimum educational qualification prescribed for getting assistance under the Scheme is only a pass in VIII Standard. The annual family income of the beneficiaries should not exceed Rs. 40,000.

The scheme has given due importance for the protection of women and under privileged communities. There is no restriction on the nature of activities
to be started under the scheme. All economically viable activities are eligible for financial assistance under the scheme. Group activities are also eligible for financial assistance but the loan amount for such group activities should not exceed Rs.10 Lacs.

The loan amount has to be repaid within 7 years depending on the nature and profitability of the venture. The beneficiaries are eligible for a subsidy of 15 per cent of the project cost subject to a ceiling of Rs.7500 from the Government. The selected applicants will be provided compulsory training. The implementation, co-ordination of the scheme are done by High Power committee at Central level, State PMRY Committee at State level and District PMRY Committee at District level.

Many studies have not been conducted on the topic in the state. Evaluation studies conducted in Kerala and in other parts of the country reveal that the objective of Prime Minister's Rozgar Yojana is hardly met. Due to huge defaults and low income yield, the initiative of the Banks in promoting these schemes was declining.
The study revealed that it was high time to take stock of the whole package of Prime Minister's Rozgar Yojana in the State. An in-depth study into this Government sponsored lending scheme will be of utmost help to the Government and Banking authorities in taking decisions and framing their future.

THE PROBLEM IN BRIEF

Extension of credit to weaker section became a social responsibility of banks after nationalization many schemes have been formulated and implemented in the country for improving the standard of living of the people especially the weaker section.

PMRY scheme was evolved to generate employment opportunities in the country through the establishment of micro enterprises. Banks operating in the country are asked to finance the PMRY scheme. Hence viable projects should not be denied bank credit on the ground of poor financial position of the borrower. The bank credit should flow into the productive channel to generate employment opportunities and to improve the socio-economic status of the people. The assistance will be of no use unless the borrower utilizes the
amount for productive purposes and generates adequate income to repay the loan and a surplus to support his family.

Since the scheme is in operation for around one decade and on going, a thorough evaluation of its performance is essential to identify the problems and difficulties and steps to improve the performance. It is also essential to examine the role of banks in the implementation of the scheme. It is of paramount importance to analyse the impact of the PMRY scheme on the economy and the people. Hence the relevance of the study.

Objective of the study :

The major objective of the study are :

1. To estimate the impact of the programme on employment, income and assets position of the Prime Minister's Rozgar Yojana beneficiaries in the State.
2. To estimate the impact of the programme on the standard of living of the Prime Minister’s Rozgar Yojana beneficiaries in the State.
3. To assess the effectiveness of the programme implementation machinery in the State of Kerala.
4. To identify the common deficiencies of the programme implementation machinery in the state of Kerala.

5. To give suggestion to the Government and the Banking authorities on the basis of findings and conclusion of the study.

Hypothesis:

The hypothesis developed for the purpose of the study were:

H1. Growth rate in target and growth rate in achievement does not differ significantly.

H2. There is no significant relationship between amount sanctioned and amount disbursed

H3. There is no significant difference between percent of disbursement to sanction and percent of disbursement to target.

H4. There is no significant difference in the performance of different bank groups in Kerala under PMRY.

H5. There is no significant difference in the performance of different districts in Kerala under PMRY

H6. There is no significant difference among the borrowers in selection of activity.
All the PMRY units in the State are working at their full capacity.

The PMRY Scheme had no significant and positive impact on the employment generation in Kerala.

All the borrowers under the PMRY Scheme in the State repay the loan out of the income generated from the project.

The beneficiaries under the PMRY Scheme in Kerala are not satisfied with their present activity.

Defaults are more in low income group

Utilisation and Repayment are positively correlated.

Sufficiency and Repayment are positively associated.

**Variables Studied:**

The dependent and independent variables of the study are listed below

<table>
<thead>
<tr>
<th>Independent Variables (IV)</th>
<th>Dependent Variables (DV)</th>
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<tr>
<td>IV-1 – Loan</td>
<td>DV₁ – Utilisation of Loan</td>
</tr>
<tr>
<td></td>
<td>DV₂ – Information about mis-utilisation</td>
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<tr>
<td></td>
<td>DV₃ – Purchase of Assets from loan amount</td>
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IV-2 - Overall Efficiency

- $DV_1$ - Sales
- $DV_2$ - Competition
- $DV_3$ - Employment Generation
- $DV_4$ - Income generation
- $DV_5$ - Repayment of Loan

IV-3 - Default

- $DV_1$ - Comparison between Earnings And Default
- $DV_2$ - Socio-economic status of the Defaulters
- $DV_3$ - Utilisation and Repayment
- $DV_4$ - Sufficiency and Repayment

IV-4 - Loan Recovery

- $DV_1$ - Steps in recovery
- $DV_2$ - Problems in recovery

IV-5 - Non-Performing Assets Under PMRY Schemes

IV-6 - Reasons for failure of PMRY

- $DV_1$ - Borrower selection
- $DV_2$ - Loan disbursement
- $DV_3$ - Lack of working capital
- $DV_4$ - Lack of follow-up
IV-7 – Difficulties of the Banker

IV-8 – Training Programmes

IV-9 – Difficulties in availing PMRY assistance

IV-10 – Difficulties in achieving Target

IV-11 – Impact

DV1 - Interference of Political Leaders
DV2 – Interference of Middlemen
DV1 – Training to bank personnel
DV2 – Training to PMRY beneficiaries

DV1 – Rejection of Application
DV2 – Withdrawal of Applications
DV3 – Non Viable Proposals
DV4 – Technical Difficulties

DV1 – Income
DV2 – Employment
DV3 – Repayment
DV4 – Standard of Living
DV5 – Social Status
Database and Methodology

The study was conducted in two stages.

In the first stage, the data were collected from the published sources like the publications of the Reserve Bank of India such as RBI Bulletin, Basic Statistical Returns, RBI's evaluation and directions, etc., State Bank of India Monthly Bulletin, publications of the Indian Banks' Association and of the National Institute of Bank Management, Reports of the State Level Banker's Committee, Reports of the various District Industries Centres and from various lead bank offices, Central and State Government Publications, Publications of Statistical organizations like Economic Review. Internet services were also put into use to collect published information.

In the second and final stage, primary data were collected through a field survey. For this purpose two sets of structured interview schedules were prepared, one for the beneficiaries and the other for bank officials, which would give qualitative and quantitative information regarding the procedures and formalities, difficulties in implementation of the PMRY scheme, the employment generated, income earned, assets acquired and the standard of living of the
Prime Minister's Rozgar Yojana Beneficiaries in the State. Besides, relevant information has been collected through discussions with managers of District Industries Centres and other officials who were associated with the implementation of the PMRY scheme.

**Survey Design:**

Multistage sampling framework was used in the survey design. At the first stage, the State of Kerala to which the researcher belongs was selected. For the purpose of the study, the State of Kerala, which consists of 14 districts are divided into three regions, viz. the Southern Region consisting of five districts, the Central Region consisting of four district and the Northern Region consisting of five districts. The region wise lists of districts were prepared accordingly. From each list one district was selected at random. Thus three districts representing the three regions were selected. The districts selected were Trivandrum, Ernakulam and Kozhikode respectively. From each district five bank branches were selected at random from five villages. Ten PMRY beneficiaries were selected from the local limits of each branch.

Thus, the sample size consists of 150 beneficiaries and 15 bank managers. Stratified random sampling techniques were applied in selecting the
respondents. The beneficiaries include 30 from service sector, 90 from industries sector and 30 from business sector. The Bank Managers consists of 6 from the State Bank group, 6 from the Nationalised bank and 3 from other Commercial banks.

Pilot Study and Finalisation of Interview Schedules

A pilot study was conducted in Ernakulam district for finalizing the questionnaires for the interview schedules. For this purpose 15 PMRY beneficiaries and 3 Bank Managers were selected from 3 villages in Ernakulam district. The beneficiaries and bank managers were interviewed using the original interview schedules.

On the basis of the pilot study, necessary changes were made to the questionnaires for preparing final interview schedule and the finalized questionnaires were used for field survey. Copies of these questionnaires are given in Appendix I and II.

Collection and Analysis of Data

Available statistical data relating to deposits, advances and PMRY loans was collected from various publications of RBI, Indian Banks' Association,
National Institute of Bank Management, State Level Bankers Committee, Department of Economics and Statistics, etc. Such data was collected for a period of 34 years commencing from 1969 to 2003 and has been used in this study. The facility of internet was used to collect latest information from the website of RBI and other Institutions.

For the analysis of PMRY in Kerala data was collected from SLBC (LB&PSM Section, Circle office, Canara Bank, Trivandrum) and various lead banks and District Industries Centres for the period from 1993-94 to 2002-03.

Primary data was collected through discussion and personal interview with the beneficiaries and the Bank Managers using separate questionnaires. Two sets of interview schedules were prepared for this purpose. It had taken six months starting from February to July 2003 to complete the field study.

The data collected was analysed with the help of Computer, keeping in view the objectives of the study. Computer programmes like MS Excel 2000, MS Word 2000 and Adobe Page Maker 6.5' were used for this analysis.
Statistical Tools Used For Analysis

Statistical tools, viz. percentages, averages, compound growth rate, correlation, chi-square test, other non parametric tests, etc. were used for the analysis. The details are given below.

1. Compound Growth Rate is used to find out the growth rate of deposits, advances and PMRY advances of all scheduled commercial banks in Chapter IV.

2. Mann-Whitney U Test is used to compare the growth rate in target and growth rate in achievement under the PMRY Scheme, in Chapter V.

3. Fried Man's Two-way analysis of variance is used to study the performance of difference districts under PMRY Scheme in Chapter V.

4. Kruskal-Wallis One-way analysis of variance is used to analyse the bank group-wise performance under PMRY in Chapter V.

5. Chi-square test is used to find out whether borrowers have given equal importance to all activities in Chapter VI.

6. Chi-square Test is used to find out whether the income generated from the project is adequate to repay the loan in Chapter VII.

7. Karl Pearson's Co-efficient of Co-relation is used to study the relationship between utilization and repayment in Chapter VII.
8. Yule's Co-efficient of Association is used to find out the association between sufficiency and repayment in Chapter VII.

Resume Of The Work Done

The study, as stated earlier, is based on the primary and secondary data. The data collected from these sources were critically analysed. A brief account of the procedure of the analysis is given below:

The growth of deposits and advances of scheduled commercial banks since nationalization of banks in 1969 has been studied and compared with national level in absolute terms and in terms of compound growth rate in Chapter IV. The required data for this study were collected from the publications of Reserve Bank of India, State Level Bankers Committee, etc.

The PMRY lending for the last ten years, i.e. from 1993-94 to 2002-03 was analysed bank group wise and district wise in Chapter V. The data required for the study was collected from District Industries Centres, State Level Bankers Committee and Department of Statistics, Government of Kerala.
The primary data collected through field study has been thoroughly and systematically analysed to evaluate the procedures of PMRY lending in the State. The banking profile of the borrowers, their difficulties in getting loans and their problems in starting self employed units under the PMRY scheme are separately analysed in Chapter VI.

The utilization and impact of PMRY loans are analysed in Chapter VII. The income generated by the borrowers, their assets position, problems and difficulties experienced by them and the problems of banks in implementation of the scheme are also presented in this chapter.

Reference Period

This study is more qualitative than quantitative. Hence the length of period of the study is immaterial. However, secondary data was collected for a period of 39 years from 1969 to 2003. But for the detailed analysis of the PMRY scheme only the data from the date of inception of the Scheme in the State, i.e. from 1993-94 to 2002-03 was taken. This covers a period of ten years.
The reference period for the collection of primary data is six months. The survey was conducted during the period from January 2003 to June 2003.

**Concepts And Definitions Used In The Study**

The concepts and definitions used in the study are explained below:

1. All Commercial Banks: All Commercial Banks include State Bank of India and its associates, nationalized banks, foreign banks, regional rural banks and private sector banks.

2. Commercial Banks: Commercial banks include all scheduled commercial banks except regional rural banks, foreign banks and newly formed private sector banks like HDFC, ICICI, Global Trust Bank, etc.


4. Nationalised Banks: Nationalised Banks consists of 19 nationalised banks functioning in the country.

5. Other Commercial Banks: Other Commercial Banks include all commercial banks including newly formed private sector banks viz. ICICI Bank, HDFC Bank, etc. but does not include regional rural banks and co-operative banks.
6. Borrowers / Beneficiary: A borrower/beneficiary is a person who has availed loan under the PMRY scheme.

7. PMRY: The Scheme of Prime Minister’s Rozgar Yojana.

8. Bank Manager / Bank Personnel / Bank Official: Bank Manager/Bank Personnel/Bank Official is a person who is in charge of the branch of a bank or a section of the bank branch.

Limitations Of The Study

Even though the study is extensive, innovative, unique and pioneering in certain aspects, it suffers from the following limitations.

1. Some of the branch managers were reluctant to provide certain information especially those relating to non-performing assets for want of special permission from head office, which was denied. Hence the attempt to analyse defaulted case was discarded.

2. Majority of the beneficiaries did not maintain proper records of their income, expenditure and savings. Hence the study was made on the basis of facts provided by them out of their memory.

3. Some of the sample respondents were hesitant to give correct information. Therefore the study may suffer from non-sampling error.

4. Foreign banks and newly formed private banks were not taken for the study because of their recent involvement in the scheme.
In spite of the above limitations, the study provides dependable, useful and valuable information. The suggestion made in the study will be helpful for future planning and successful implementation of the scheme.

Presentation Of The Study:

The study consists of eight chapters including this introductory chapter. This chapter deals with the design and methodology of the study.

Chapter II reviews the available literatures on earlier studies on PMRY. Bank credit to weaker sections and priority sector lending are also reviewed in this chapter.

Chapter III reveals an overview analysis of the PMRY scheme. The criteria for assistance and other conditions are discussed in general.

Chapter IV gives an idea of the socio-banking profile of Kerala State. Growth rate of deposits and advances for a period of 34 years since nationalization were analysed with the help of secondary data. These are also compared with national level.
Chapter V deals with the analysis of PMRY scheme in Kerala for a period of 10 years commencing from 1993-94 to 2002-03. Bank group wise and District wise performance were also analyzed in this chapter.

Chapter VI deals with the implementation of the PMRY scheme in Kerala. Difficulties and problems experienced by the beneficiaries and Banks are analyzed in this chapter with the help of primary data.

Chapter VII reviews the utilization of PMRY advances and its impact in the State of Kerala. Income earning capacity of the PMRY units, default in repayment of loans are analyzed with the help of primary data. The problems and difficulties experienced by bankers and beneficiaries are thoroughly analyzed.

Chapter VIII presents the summary of findings, conclusion and suggestions resulting thereof.